

Message Text

CONFIDENTIAL

PAGE 01 BRASIL 05426 222151Z

61

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 SSO-00 NSCE-00 INRE-00 SP-03

AID-20 NSC-07 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08

OMB-01 CEA-02 COME-00 FRB-03 L-03 H-03 PRS-01 TAR-02

CIAE-00 INR-11 NSAE-00 DRC-01 /116 W

----- 082633

O 222115Z JUL 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 4607

C O N F I D E N T I A L BRASILIA 5426

DEPARTMENT PASS TREASURY

E.O. 11652: GDS

TAGS: ETRD, BR

SUBJECT: COUNTERVAILING DUTIES

REF: (A) STATE 157983; (B) BRASILIA 5058; (C) BRASILIA 4703;
(D) BRASILIA 5391

1. AS THE EMBASSY SEES THE SITUATION AS IT HAS EVOLVED, THE GOB MUST UNDERSTAND, FIRST, THAT THE ISSUE CANNOT BE RESOLVED BY POLITICAL MEANS; SECOND, THAT COUNTERVAILING DUTIES WILL BE APPLIED; AND, THIRD, THAT IN THESE CIRCUMSTANCES THE GOB HAS TWO ALTERNATIVES: (A) TO ACCEPT THE COUNTERVAILING DUTIES OR (B) TO MAKE PROMPT AND EFFECTIVE MODIFICATIONS IN THE INCENTIVE REGIME SO AS TO ELIMINATE THE BOUNTIES OR GRANTS THAT GIVE RISE TO THE COUNTERVAILING DUTIES.

2. THE KEY ELEMENT IS TO INFORM THE GOB FLATLY AND FINALLY THAT ITS HOPES FOR SUCCESS ON THE POLITICAL PLANE ARE DEAD. IN TURN, THE CLEANEST WAY TO DO THAT IS TO REPLY TO THE FOREIGN MINISTRY'S JUNE 25 NOTE, WHICH CONSTITUTED THE FORMAL GOB "APPEAL AT THE POLITICAL LEVEL."

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRASIL 05426 222151Z

3. WITH THOSE CONSIDERATIONS IN MIND, THE EMBASSY PROPOSES THE

FOLLOWING ALTERNATIVE SCENARIOS:

A. WASHINGTON PROVIDES THE EMBASSY VERY QUICKLY (I.E., IN THE NEXT 48 HOURS) THE TEXT OF A NOTE REPLYING TO THE JUNE 25 NOTE. THE CONTENTS, COUCHED IN POLITE TERMS, SHOULD BE UNEQUIVOCAL WITH RESPECT TO THE INEFFECTUACY OF THE APPEAL AT THE POLITICAL LEVEL. THE AMBASSADOR WOULD DELIVER THIS NOTE TO FOREIGN MINISTER SILVEIRA. AT THAT MEETING THE AMBASSADOR WOULD MAKE CLEAR THAT THERE IS NO WAY IN WHICH THE USG UNDER THE LAW CAN AVOID THE APPLICATION OF COUNTERVAILING DUTIES WITHOUT A PROMPT AND EFFECTIVE MODIFICATION OF THE INCENTIVE REGIME. HE WOULD CITE THE COLOMBIAN CASE. AS SOON AS THE APPROACH HAD BEEN MADE TO SILVEIRA, THE AMBASSADOR WOULD REPEAT THE DRILL WITH THE FINANCE MINISTER, GIVING HIM A COPY OF THE NOTE AND STATING THAT HIS NEGATIVE REACTION TO THE POLITICAL USE OF THE DE MINIMIS ARGUMENT (REFTEL D) HAD BEEN CONFIRMED BY WASHINGTON. AT THE SAME TIME, AMBASSADOR ARAUJO CASTRO WOULD BE CALLED INTO THE DEPARTMENT TO BE GIVEN THE POSITION.

B. IF FOR SOME REASONS, WASHINGTON IS NOT PREPARED TO REPLY TO THE JUNE 25 NOTE IMMEDIATELY, THE AMBASSADOR WOULD BE AUTHORIZED TO TELL SILVEIRA ORALLY THAT SUCH A NOTE WOULD BE FORTHCOMING SHORTLY. THE REST OF THE STEPS IN SCENARIO A WOULD THEN BE FOLLOWED.

4. THE EMBASSY MUCH PREFERS SCENARIO A. THE JUNE 25 NOTE MUST BE ANSWERED IN ANY CASE, CERTAINLY BEFORE ANY ANNOUNCEMENT OF THE IMPOSITION OF DUTIES. THE INEVITABLE NEGATIVE REACTIONS HERE CAN ONLY BE INCREASED BY THE DISCOURTESY OF OUR FAILING TO RESPOND TO THE NOTE BEFORE WE TAKE COUNTERVAILING ACTION. IN ADDITION, THE MORE FORMAL THE TURNING OFF OF THE GOB POLITICAL EFFORTS THE BETTER.

5. THE EMBASSY IS READY TO PROCEED AND BELIEVES THAT IT IS DESIRABLE FOR THE RECORD AND AGAINST THE FUTURE TO POSE THE ALTERNATIVE OF MODIFYING THE INCENTIVE SYSTEM. NEVERTHELESS, IT DOES NOT BELIEVE, PARTICULARLY IN LIGHT OF THE CONVERSATION REPEATED IN REFTEL D, THAT THE GOB WILL NOW GO THAT ROUTE.

6. THERE FOLLOWS ADDITIONAL COMMENT ON REFTEL A:

A. WITH RESPECT TO THE SECOND SENTENCE OF PARA 5 (A), THE EMBASSY CALLS ATTENTION TO THE THIRD SENTENCE OF PARA 13
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRASIL 05426 222151Z

OF REFTEL B.

B. WITH RESPECT TO PARA 5 (C), THE STRESS OF THE RECOMMENDATION WAS ON THE PACKAGING OF ACTIONS, I.E., THE SIMULTANEOUS ANNOUNCEMENT OF THE APPLICATION OF DUTIES TO SEVERAL COUNTRIES. THE FACT THAT WE HAVE INITIATED COUNTERVAILING PROCEEDINGS AGAINST SPAIN AND ARGENTINA GOES ONLY A SMALL WAY TOWARD THAT OBJECTIVE. IS THERE NOT SOME POSSIBILITY THAT THE APPLICATION OF COUNTERVAILING DUTIES AGAINST ARGENTINA SHOES CAN

BE ANNOUNCED AT THE SAME TIME AS THOSE AGAINST BRAZILIAN SHOES,
IF THE GOA REFUSES TO COOPERATE WITH THE INVESTIGATION,
THUS SETTING UP COUNTERVAILING ACTION ABOUT THE MIDDLE OF
AUGUST? TO PUT IT ANOTHER WAY, FROM BRASILIA A DELAY OF FIFTEEN
OR SO DAYS IN THE APPLICATION OF DUTIES AGAINST BRAZIL WOULD
APPEAR TO BE EMINENTLY WORTHWHILE IF THERE WERE A REASONABLE
PROSPECT OF COMBINING THE ACTION WITH SIMILAR MEASURE AGAINST
ARGENTINA.
CRIMMINS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TARIFF BARRIERS, COUNTERVAILING DUTIES, POLITICAL SITUATION, PROPOSALS (BID), DIPLOMATIC NOTES, INCENTIVES
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRASIL05426
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740197-0883
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740730/aaaaazfx.tel
Line Count: 124
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: (A) STATE 157983; (B) BRASILIA 5058;
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by rowelle0>; APPROVED <19 FEB 2003 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COUNTERVAILING DUTIES
TAGS: ETRD, BR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005